



Monetary Authority
of Singapore



ANNUAL REPORT 2017/18

Photo credit to Joseph Nair

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WHAT WE DO

OUR MISSION

To promote sustained non-inflationary economic growth, and a sound and progressive financial centre.

OUR FUNCTIONS

- » To conduct monetary policy, issue currency, and serve as banker to and financial agent of the Government.
- » To manage the official foreign reserves of Singapore.
- » To supervise the financial industry, regulate capital markets, and oversee payment systems.
- » To develop Singapore as an international financial centre.

OUR VALUES

- » **Integrity.** We are trustworthy and professional.
- » **Commitment.** We do our best for MAS and Singapore.
- » **Enterprise.** We set high standards and innovate continually.
- » **Teamwork.** We achieve more together.



CHAIRMAN'S MESSAGE



2017 was a better year for the global economy. With a synchronous upswing across all major regions, global GDP growth reached 3.8% – a pace not seen since 2011. The momentum is expected to be sustained in 2018. But we have to deal with heightened risks of trade protectionism and the effects of rising US interest rates in the year ahead.

The Singapore economy has also performed well, and should continue its steady expansion this year. Trade-related and modern services sectors will continue to anchor growth. Domestic-related activities could also pick up over the course of the year amid a firming labour market. Overall, GDP growth is expected to be 2.5-3.5% in 2018.

Related to this, MAS Core Inflation is projected to gradually increase, to 1.5-2% for the year. Monetary policy was thus tightened in a measured move in April this year, to ensure medium-term price stability.

The Singapore residential property market has also picked up over the past year, with increases in both prices and transactions. Our property market measures remain necessary, both to ensure a sustainable residential property market and to encourage financial prudence among households.

MAS launched the Financial Services Industry Transformation Map last year, setting out strategies to grow the financial sector, harness innovation and create good jobs.

We are steadily implementing plans to support financing for infrastructure development, trade, and enterprise for Asia. We are working to grow Singapore into a global liquidity and price discovery centre for foreign exchange trading in the Asian time zone. The introduction of the Singapore Variable Capital Company legal and regulatory framework will also help position Singapore as a global hub for fund management and domiciliation. And we are developing Singapore as a global capital for risk transfer, offering a full spectrum of risk management strategies.

We are making good progress in our digital transformation journey. Our FinTech ecosystem is growing robustly, with a global marketplace of ideas and experimentation. We have made headway in electronic payments, with the introduction of PayNow and the common Singapore Quick Response Code (SGQR) to provide swift, simple, seamless and secure ways of making payments.

To progress as a digital economy, we need to ensure that our people in the financial sector are equipped with deep specialist skills and expertise to leverage technology and data. MAS is working with partners to develop more professional conversion programmes as well as career advisory and job placement services, to better support the growth and development of the workforce.

Sound regulation and rigorous supervision remain key to fostering stability and confidence in the financial sector. To strengthen cyber resilience across the industry, MAS has provided regulatory guidance on managing this major new sphere of risks. We will continue to strengthen our technology risk supervision and cyber threat response capabilities. MAS has intensified its surveillance and supervision, including through the use of data analytics, of risks associated with money laundering, terrorism financing and proliferation financing. We have taken tough regulatory actions against breaches, and deepened collaboration with industry and global counterparts to strengthen Singapore's resilience against illicit finance.

But we can never lose sight of the fact that a robust and trusted financial centre is ultimately underpinned by a culture of ethical behaviour and responsible risk taking. MAS has proposed guidelines to raise standards of accountability and conduct across industry.

In connection with Singapore's chairmanship of ASEAN this year, we successfully hosted the ASEAN Finance Ministers' and Central Bank Governors' meeting in April 2018. ASEAN members agreed to work together on key areas such as infrastructure development, cyber security collaboration, enterprise financing, and to strengthen natural disaster risk resilience as well as foster innovation and financial inclusion.

On behalf of the Board, I thank all MAS staff, our partners and financial industry players for their contributions to Singapore's distinctive reputation for both stability and innovation, and its increasing role as a hub that serves a growing Asia and the world.

A handwritten signature in black ink, appearing to read 'Tharman'.

Tharman Shanmugaratnam
Chairman



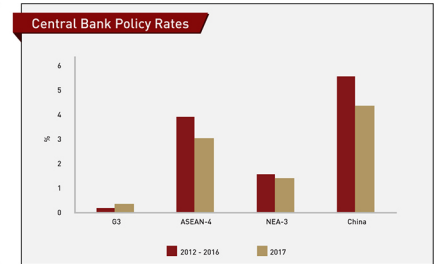
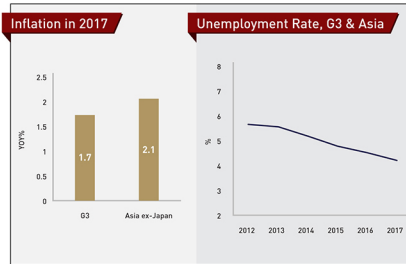
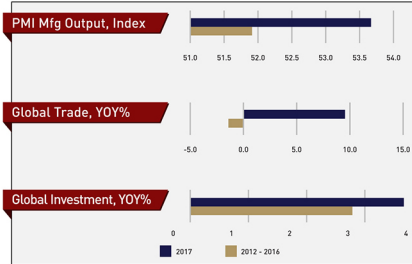
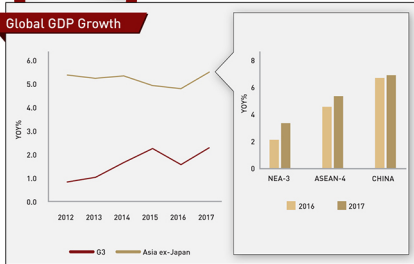
1

ECONOMIC GROWTH AND FINANCIAL STABILITY

- The Economy in 2017
- Monetary Policy and Macroprudential Policy
- Reserves Management

The Economy in 2017

The World



The global economy saw a synchronised upswing in 2017, with most of Asia seeing faster growth...



...driven by a revival in global manufacturing output and trade activity, as well as a catch-up in investment.

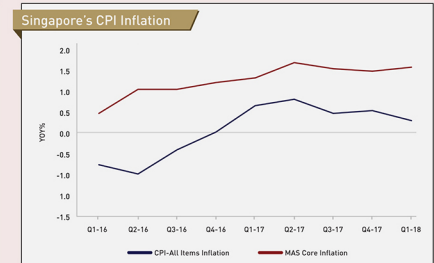
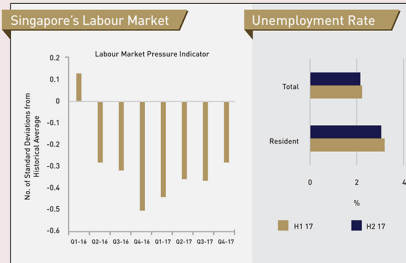
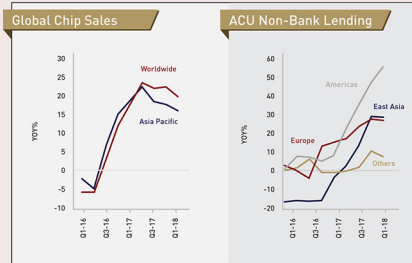
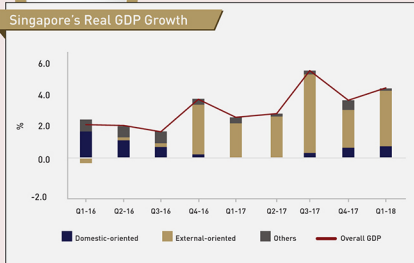


However, global inflation remained benign even as labour markets strengthened.



Monetary conditions stayed accommodative in many countries.

Singapore



Economic growth in Singapore was largely spurred by the external-oriented sectors...



...as demand for semiconductors surged, alongside a recovery in offshore bank lending.



The Singapore labour market strengthened, as slack continued to be absorbed.



CPI-All Items emerged from a period of disinflation, while core inflation reached 1.5% by Q2 2017.

Monetary Policy

October 2017

MAS maintained 0% rate of appreciation in the S\$ Nominal Effective Exchange Rate (S\$NEER) policy band.

› The outlook was for the economy to expand steadily and stable MAS Core Inflation in 2018.

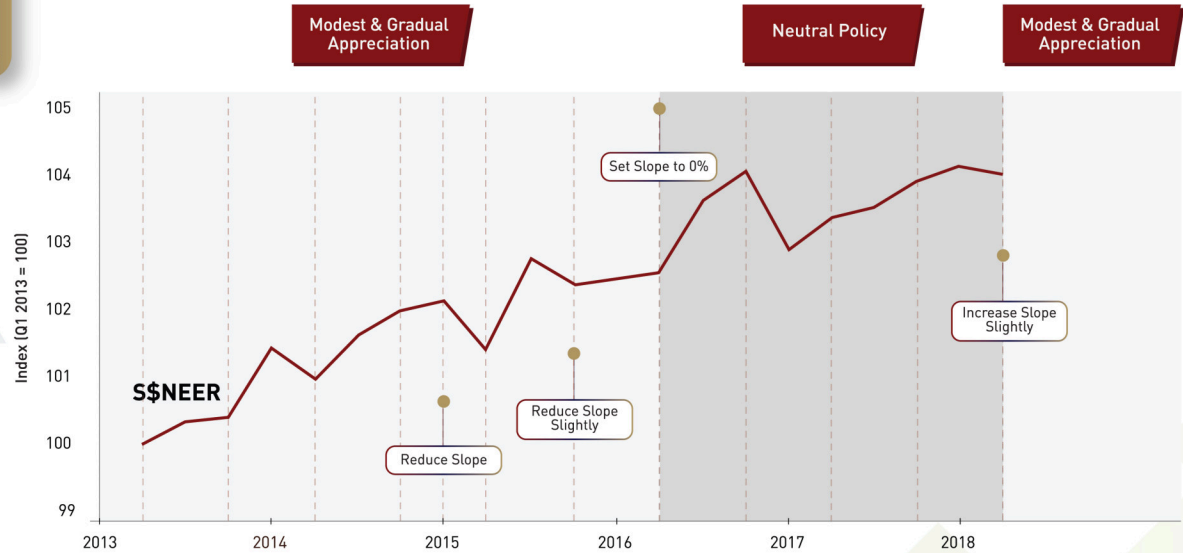
April 2018

MAS increased slightly the slope of the S\$NEER policy band.

› Although trade frictions have intensified, the Singapore economy is likely to remain on its steady expansionary path in 2018.

› The domestic labour market should continue to improve, underpinning projections for the gradual increase in MAS Core Inflation this year.

› Modest and gradual appreciation path of the S\$NEER policy band will ensure medium-term price stability.



Macroprudential Policy



- › Singapore's private residential property market has picked up over the past year, registering increases in prices and transactions.
- › Interest rates have risen over the past year, as the US normalises monetary policy.
- › Prospective buyers should take into account their repayment abilities when deciding whether to purchase a property.



- › Developers have registered strong activity both in en-bloc sale tenders and Government Land Sites bids.
- › This is expected to more than double the number of units available in the near term. If left unsold, this could result in a supply imbalance and weigh on the market.
- › Developers should be cognisant of the increase in supply when bidding for land.
- › Banks should maintain prudent underwriting standards when extending property-related loans.
- › Current set of property market measures remain necessary to promote a sustainable residential property market and financial prudence among households.

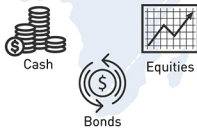
Reserves Management

Size and Composition

- MAS held **S\$376.5b** of Official Foreign Reserves (OFR) as at 31 March 2018.
- OFR invested in a **well-diversified portfolio** for good long-term returns and resilience across market conditions.

Portfolio invested across

Different Asset Classes



Different Geographies



- Investment-grade bonds in the advanced economies form the largest allocation in the portfolio.
- About three quarters of the portfolio are denominated in USD, EUR, JPY and GBP, with USD forming the bulk.

Investment Performance

- The gain in OFR was **S\$8.5b** in FY2017/18.

Gains in OFR comprise

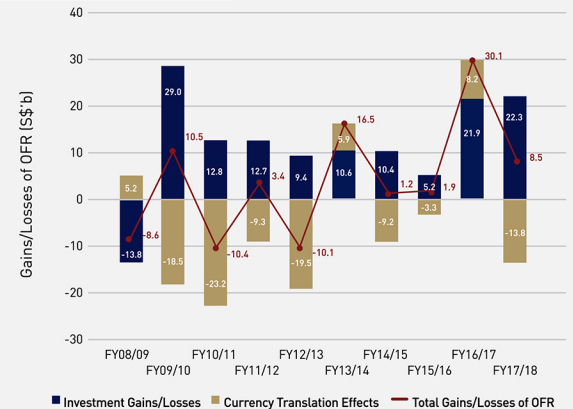
Investment gains **S\$22.3b**
 Currency translation effects **-S\$13.8b**

- OFR recorded strong investment gains as global markets continued to rally. Investment gains mainly from interest income and realised capital gains.
- Investment gains over the last 10 financial years averaged S\$12.1b per annum.
- Negative currency translation effects in FY2017/18 due mainly to strengthening of SGD against USD and JPY.

Risk Management

- Investment universe and risk management framework approved by Board.
- Investments subject to risk limits, controls, and stress testing to manage financial and liquidity risks.
- Regular reporting to Board, Risk Committee, and senior management; risk mitigating actions taken if required.

Gains/Losses of OFR



2

ROBUST AND RESILIENT FINANCIAL CENTRE

- > Safer Derivatives Markets
- > Cyber Resilience

Safer Derivatives Markets

Significant regulatory reforms in the Over-the-Counter (OTC) derivatives markets

Improving Transparency

Better post-trade transparency

MAS began **publication of aggregated information** on OTC derivatives transactions from Q2 2018



Better risk assessment and monitoring

MAS issued regulations in Q1 2018 to expand



mandatory trade reporting for all OTC derivatives

FIND OUT MORE
Draft regulations for mandatory trading of derivatives contracts

Promoting Efficiency

Facilitating price discovery

Proposed regulations in Q1 2018 to require interest rate swaps denominated in USD, EUR and GBP to be

traded on regulated platforms



Cooperating with foreign regulators



Facilitate efficient cross-border transactions through engagement with foreign regulators on

equivalence assessments

Reducing Risk

Reducing credit risks

Introduced regulations in Q2 2018 to require interest rate swaps denominated in USD and SGD to be

cleared on central counterparties



Improving collateralisation

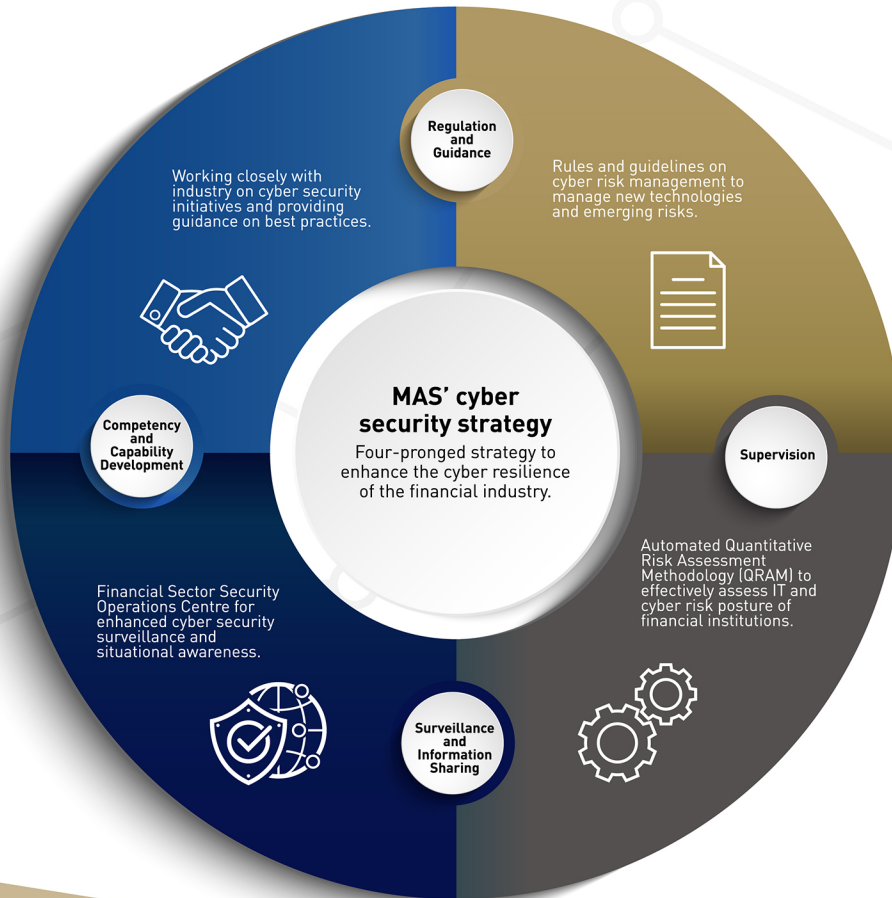


Progressive roll-out of initial

margin requirements

for non-centrally cleared OTC derivatives

Cyber Resilience



Established the Chief Cyber Security Officer (CCSO) role to oversee cyber resilience of the financial sector and within MAS.



MAS Cyber Security Advisory Panel (CSAP)

- » Comprises 11 international cyber security experts, and advises MAS on strategies to enhance the financial sector's cyber resilience.
- » Provides global perspectives on the cyber threat landscape, cyber security implications of new technologies, and best practices for cyber security strategies.



MAS Cyber Security Advisory Panel

FIND OUT MORE
[About CSAP](#)
[Cyber resilience strategies by CSAP](#)

3

CLEAN AND TRUSTED FINANCIAL CENTRE

- > Combating Money Laundering and Terrorist Financing
- > Enforcement Against Breaches
- > 1MDB-Related Actions
- > Good Culture and Conduct

Combating Money Laundering and Terrorist Financing

MAS maintains a robust regulatory and supervisory framework and a rigorous enforcement regime to reduce money laundering and terrorist financing (ML/TF) risks.

Enhance Surveillance and Supervision

Deepen Collaboration and Cooperation

Leverage data analytics

- 1 Detect potential abuse of financial system - using insights from Suspicious Transaction Reports (STRs) for effective risk mitigation



- 2 Enhance risk surveillance using advanced analytics tools, to monitor and distil insights across a wide range of datasets



Sharpen supervision of high risk areas

- 1 Analytics-driven supervisory probes



- 2 More intensive inspections of higher-risk financial institutions



- 3 Thematic examinations of higher-risk activities



With industry

- 1 Through AML/CFT Industry Partnership (ACIP) co-chaired by MAS and CAD



- 2 Raise awareness and encourage industry best practices to prevent abuse of company structures and trade-based money laundering



[FIND OUT MORE](#)
[Formation of ACIP](#)
[Release of industry best practice papers](#)

With global counterparts

- 1 Contribute to international standards setting as co-chair of the Financial Action Task Force's Policy Development Group



- 2 Active supervisory cooperation with foreign counterparts



- 3 Expanded tax transparency cooperation with over 60 jurisdictions



[FIND OUT MORE](#)
[Bilateral cooperation on Automatic Exchange of Financial Account Information](#)

Enforcement Against Breaches

MAS maintains an enforcement regime that fosters high standards of conduct and preserves investor confidence.



Misconduct

Market Abuse

Money laundering

Prohibition orders against six financial advisory representatives

- Improper switching of insurance policies and forgery of documents
- Misleading and inappropriate financial advice
- False representation of insurance products and structured note

2 - 7 years



Prohibition orders against convicted representatives of insurance companies and capital markets licensees

- 1 Deception of client and forgery of documents to cheat insurer of policy funds **8 years**
- 2 Conduct of unauthorised share trades and misappropriation of customers' trading funds **7 years**
- 3 Entry of false orders in underlying securities to manipulate the prices of Contract for Differences **5 years**
- 4 Misappropriation of client's insurance premium **2 years**

- 1 An individual who conducted false trading by manipulating the closing price of a SGX counter in order to avoid margin call



Sentenced to 4 months' imprisonment

- 2 Managing director of subsidiary company who conducted insider trading by selling parent company's shares while in possession of undisclosed, price-sensitive information concerning project cost overruns

Civil penalty of \$423,000

- 3 Two individuals who carried out unauthorised trading

Heftier civil penalties of \$150,000 and \$75,000 respectively on MAS' appeal to High Court

- 4 Company executive who conducted insider trading by selling shares of a company while in possession of undisclosed price-sensitive information concerning the company's financial results

Civil penalty of \$50,000

Prohibition order:



Relationship manager of a bank

4 years

Deliberately concealed the identity of the true beneficial owner of three bank accounts

Penalties on financial institution

A bank and its subsidiary trust company for inadequate risk assessment and controls in relation to trust accounts transferred to Singapore

Penalty of S\$5.2M on the bank

Penalty of S\$1.2M on trust company

FIND OUT MORE
IMDB-Related Actions

MAS may issue prohibition orders to bar persons from conducting regulated activities, managing or becoming a substantial shareholder of a financial institution.

Other enforcement actions against entities and individuals:



Warnings and reprimands 177



Fines 33

1MDB-Related Actions

Singapore does not tolerate abuse of its financial system for illicit activities. Singapore authorities, including MAS, have taken firm actions against those who have broken our laws or failed to meet regulatory standards in relation to 1MDB transactions.

Financial institutions

Ordered to shut down

- › BSI Bank Limited
- › Falcon Private Bank Ltd, Singapore Branch

Fines totalling S\$30m

› Directed bank management to investigate lapses, address control deficiencies and take appropriate disciplinary measures against bank staff involved

- › BSI Bank Limited
- › Falcon Private Bank Ltd, Singapore Branch
- › Standard Chartered Bank, Singapore Branch
- › Coutts & Co Ltd, Singapore Branch
- › UBS AG, Singapore Branch
- › DBS Bank Ltd
- › United Overseas Bank
- › Credit Suisse AG, Singapore Branch

Imposed financial penalties

Cooperation with foreign authorities

Information exchange and assistance in ongoing investigations by foreign authorities, such as the USA, Malaysia, Switzerland, and Luxembourg.



Individuals

Court Convictions and Prohibition Orders

Lifetime Prohibition order



Former banker

Convicted on charges ranging from money laundering to cheating. Sentenced to 30 months' and 54 months' imprisonment.

Lifetime Prohibition order



Former banker

Convicted for failing to report suspicious transactions and forging reference letters. Sentenced to 18 weeks' imprisonment and S\$24,000 fine.

Lifetime Prohibition order



Former banker

Convicted for failure to report suspicious transactions and providing false information to MAS and CAD. Sentenced to 28 weeks' imprisonment and S\$128,000 fine.

Prohibition order of 15 years



Former banker

Convicted for failing to report suspicious transactions and forging reference letters. Sentenced to 2 weeks' imprisonment and S\$10,000 fine.

Prohibition order of 10 years



Former banker

Issued a misleading letter which contained inaccurate statements and used the bank's letterhead without proper authorisation.

Prohibition order of 6 years



Former remiser

Convicted for bribery to expedite the preparation of a favourable valuation report. Sentenced to S\$9,000 fine.

Prohibition order of 6 years



Former head of research of an equity research house

Accepted bribe and applied inappropriate methodology and assumptions in the preparation of a valuation report.

Prohibition order of 3 years



Former CEO of an equity research house

Failed to ensure valuation report was carried out with sufficient care, judgement and objectivity.

Warrants of Arrest and INTERPOL Red Notices



Low Taek Jho
key advisor for 1MDB



Tan Kim Loong
close associate of Low Taek Jho

Good Culture and Conduct

Promoting ethical behaviour and responsible risk-taking in financial institutions.

Promote & Cultivate

Engage senior management of financial institutions to promote a **culture of trust and ethics**, and facilitate sharing of good practices.



Consulted on proposed guidelines to raise standards of **accountability and conduct** across the financial industry.



FIND OUT MORE
[Public consultation on Individual Accountability and Conduct guidelines.](#)

Monitor & Assess

Frameworks, policies and procedures ("hardware") as well as **tone-at-the-top, attitudes and behaviour** ("software") to strengthen good culture.



Data analytics to monitor market conduct and identify emerging trends and vulnerabilities.



Compensation practices to promote prudent risk-taking behaviour in banks.



Enforce & Deter

Firm enforcement actions against errant financial institutions and individuals.

FIND OUT MORE
[Speech on good culture and conduct from a regulatory perspective](#)



4

INNOVATIVE AND INCLUSIVE FINANCIAL CENTRE

- Financial Services Industry Transformation Map
- Business Strategies
- FinTech Ecosystem
- Electronic Payments
- Jobs and Skills
- Educating and Empowering Consumers

Financial Services Industry Transformation Map

Vision

1 Connect
Global
Markets

2 Support
Asia's
Development

3 Serve
Singapore's
Economy

Targets (per annum)

4.3%
Value-Added
Growth

2.4%
Productivity
Growth

3,000
Net jobs created;
1,000 net jobs in
FinTech



Business Strategies

-  Leading international wealth management hub
-  Asian hub for fund management and domiciliation
-  Global forex price discovery and liquidity centre in the Asian time zone
-  Asian centre for capital raising and enterprise financing
-  Full service Asian infrastructure financing hub
-  Leading centre for Asian fixed income
-  Global capital for Asian insurance and risk transfer



Innovation & Regulation

Regulation for innovation with soundness

-  Facilitate innovative business models using regulatory sandbox
-  Strengthen cyber resilience of financial institutions
-  Adopt technology to simplify financial institutions' regulatory compliance



Jobs & Skills

-  Expand talent pool and deepen specialist skillsets in areas like IT for both new entrants and mid-career PMETs
-  Build pipeline of Singaporean finance leaders through international postings and flagship programmes
-  Reskill and redeploy PMETs through professional conversion programmes
-  Strengthen HR practices through an industry code on hiring and redeployment



Business Strategies



Leading international wealth management hub

Develop expertise

Wealth Management Institute appointed as lead training provider for private banking to raise standards and develop strong pool of expertise

Use of digital client solutions at private banks (PB)

Increased adoption of digital initiatives by PBs, in areas such as data analytics, artificial intelligence and digital advisory



Data Analytics



Artificial Intelligence



Digital Advisory

FIND OUT MORE
[Enhancing Singapore's private banking talent pool](#)

Asian hub for fund management and domiciliation

Singapore Variable Capital Company (S-VACC) to facilitate fund domiciliation in Singapore

Use of S-VACC for both traditional and alternative investment strategies

- Flexible structuring options
- Familiar offering regime
- Re-domiciliation provisions

S-VACC policy framework refinements will be finalised by 2018

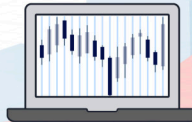


FIND OUT MORE
[Public consultation on S-VACC framework](#)

Global liquidity and price discovery centre for FX in Asian time zone

E-trading ecosystem grant scheme to grow e-trading infrastructure and capability

- Reduce transaction costs and improve risk management due to lower latency for pricing and improved trade execution
- Work with key partners to anchor e-trading infrastructure in Singapore



Global platform for trade and trade financing

Global Trade Connectivity Network

- Connect Singapore's National Trade Platform and Hong Kong Trade Finance Platform through a shared cross-border infrastructure
- Enable digitalisation of trade and trade finance globally, starting with Singapore and Hong Kong
- Cheaper, safer and more efficient cross-border trade and financing



FIND OUT MORE
[Global Trade Connectivity Network](#)

Full service Asian infrastructure financing hub

Established Infrastructure Asia with Enterprise Singapore

- A go-to knowledge centre for infrastructure players and investors in Asian infrastructure



Pilot infrastructure debt distribution facility

- Improves institutional investors' access to infrastructure investment opportunities

Develop infrastructure performance benchmarks covering ASEAN

- Encourages investor allocation to ASEAN infrastructure through inclusion in global infrastructure performance benchmarks

FIND OUT MORE
[Infrastructure developments in Asia](#)

Global capital for Asian insurance and risk transfer

Insurance-linked securities (ILS) grant scheme

Catalyses development of ILS market in Singapore through co-funding of bond issuance costs

Singapore-based One Belt One Road (OBOR) insurance consortium

Provides additional capacity and specialised insurance coverage in APAC with pilots in three lines of business



Construction



Cargo Insurance



Political Risk & Trade Credit

Southeast Asia Disaster Risk Insurance Facility (SEADRIF) in Singapore

- ASEAN's first regional catastrophe risk pool
- Provide immediate liquidity to cover emergency response costs after natural catastrophes

FIND OUT MORE
[Speech on Singapore becoming a global capital for Asian risk transfer](#)
[Media release on SEADRIF](#)



FinTech Ecosystem

Ecosystem

400+
FinTech
Start-ups 

 **30+**
Innovation
Labs

FinTech investment hit
record high of
\$305M*

Investor Summit
funding
\$2.7B 

* Source: KPMG Pulse of FinTech 2017 report

Industry Experiments

Regulatory Sandbox

Provided guidance to more than:

 **140**
firms and
individuals

40+ **5**
applications sandbox
received candidates

ASEAN Financial Innovation Network (AFIN)

- >8 AFIN workshops conducted in ASEAN
- 3 vendors selected for **Demonstration of Capability** phase to develop sandbox for financial institutions & FinTechs

Project Ubin Phase 2

- **3 software models** developed to enable decentralised netting of payments that preserves transaction privacy
- **Source code made public** for community's usage & to facilitate knowledge sharing

Global Connectivity

SINGAPORE FINTECH FESTIVAL

30,000+ 
attendees

 **109**
countries

5,000+ 
companies



**Awarded 2017 Best
Trade Conference
Organiser by STB**



22 Cooperation Agreements

- India connectivity with UPI, RuPay, BHIM
- Hong Kong connectivity with GTCN

Digital Architecture

270+ APIs
published by
financial institutions

MyInfo



- One-stop KYC services that allow service providers to access customers' personal data. This includes:

30 
verified data
items

- MyInfo is integrated with **11** financial institutions providing more than **50+** financial services & products

Payments

- Streamlined regulation
- Enable interoperable infrastructure

 FIND OUT MORE 
[Electronic Payments](#)

AI and Data Analytics

Artificial Intelligence & Data Analytics (AIDA) Grant

To support
adoption &
integration of AI
& data analytics
in financial
institutions

\$27M




Fairness, Ethics, Accountability and Transparency (FEAT) Committee


- Collaboration with industry players on key principles and best practices for the use of AI and data analytics in the financial industry

SupTech

- **Real-time risk analytics dashboard** for banking supervision
- **Natural language processing and network analysis** to analyse Suspicious Transaction Reports and detect money laundering activities

 FIND OUT MORE
[Establishment of AIDA Grant](#)
[Strengthening AI ecosystem in Singapore's financial sector](#)
[Formation of FEAT Committee](#)

Cybersecurity

 FIND OUT MORE
[Cyber Resilience](#)



Electronic Payments

Streamlined Regulation

Payment Services Bill (PSB)

Modular and risk-based regulatory framework to license, regulate and supervise payments service providers



- Licensing regime for retail payment activities
- Designation regime to regulate critical payment systems
- Standards for consumer protection, anti-money laundering and cyber security

[FIND OUT MORE](#)



Proposed Consumer Protection Guidelines

- Clarify responsibilities of financial institutions and e-payment users
- Give users more confidence to adopt and use e-payments

[FIND OUT MORE](#)

Payment and Settlement Systems (Finality and Netting) Act ("FNA")

FNA amended to align with international best practices and ensure confidence in critical payments and settlement systems

[FIND OUT MORE](#)



Interoperable Infrastructure



PayNow

Allows individuals to seamlessly and securely transfer funds in real time to each other using only recipients' mobile or NRIC numbers across nine participating banks

- Free of charge and available 24x7



Since launch, nearly **\$900m** has been transferred, with more than **1.4m** mobile number and NRIC registrations linked to bank accounts

UPOS – A single device to Tap and Go

- Accepts various e-payment modes – be it NETS, credit or debit cards, contactless cards, Apple Pay or Google Pay
- **40,000** UPOS terminals islandwide
- Enhanced customer experience – shorter queues, quicker payments
- Improved merchant productivity – self-service checkouts or ordering



SGQR, a common QR code for Singapore



A 'first of its kind' initiative - a single QR code customised for Singapore that combines multiple QR e-payment solutions



Merchants and billers will be able to display a single SGQR to accept e-payments from domestic and international schemes, e-wallets and banks.

[SCAN TO FIND OUT MORE](#)

FAST-Account-to-account fund transfer, 24/7, real-time

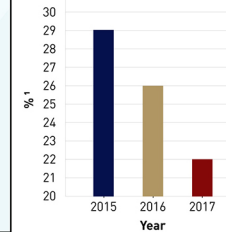
Transaction limit for FAST has been raised from S\$50,000 to S\$200,000



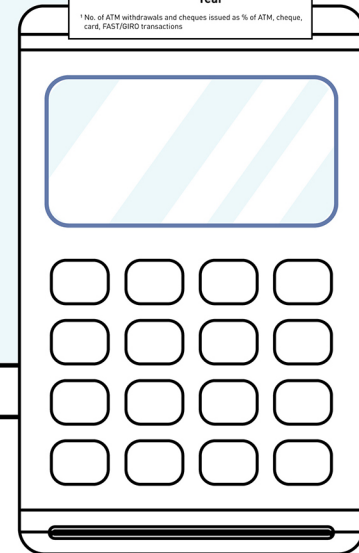
Higher transaction limit allows greater convenience for users

[FIND OUT MORE](#)

Decreasing cash and cheque usage in Singapore



* No. of ATM withdrawals and cheques issued as % of ATM, cheque, FAST/GIRO transactions





Jobs and Skills

Building a world-class financial sector workforce with a strong pipeline of local talent.

Career advisory and job placement assistance

Dedicated career centre in August 2018 **IBF** The Institute of Banking & Finance Singapore



Job placement for individuals to match suitable job opportunities.



Collaborate with IBF and tripartite agencies to help place professionals in finance and other sectors.

[FIND OUT MORE](#)
Career advisory and job placement assistance by IBF

Reskilling and redeploying

Collaboration with IBF and Workforce Singapore on Professional Conversion Programmes (PCP)

PCP for consumer banking

Major consumer banks have committed to train:



More than **3,000** consumer banking employees over the next 2 years

Other PCPs in the pipeline

To support growth in wealth management and increasing use of data analytics and automation in operations and support functions.

Local talents through SkillsFuture

IBF training programmes

Equip professionals with deepened skillsets in data analytics, cyber security, AI, distributed ledger technology and risk management.



Data Analytics



Cyber Security



AI



Distributed Ledger Technology



Risk Management

Financial Scholarship Programme

Develop specialist leaders in financial engineering, risk management and actuarial science.

TechSkills Accelerator

Work with IMDA to equip workforce with IT specialist skills.

PolyFinTech 100 initiative

Partner local polytechnics to equip students to take on jobs in FinTech sector.

Strengthen HR practices in banks

Tripartite Advisory on Human Capital Practices for Banking

Encourage banks to equip their workforce with relevant skills and capabilities to meet the future needs of the industry.



Recruitment



Reskilling



Redeployment



Retrenchment

Developed jointly by:



MINISTRY OF MANPOWER



[FIND OUT MORE](#)
Tripartite advisory on HR practices for banks

Beware! INVESTMENT SCAMS

Education about common red flags of investment scams and to always **ASK. CHECK. CONFIRM** before investing.



WATCH VIDEO



17 million
online impressions
3.8 million
print ad readers
47,000
website views

more **209,000**
than views

Positive public feedback -

83%
Are more aware
of scam tactics

82%
Feel more confident in
evaluating investment
opportunities

93%
Will **ASK, CHECK, CONFIRM**
before investing.

Awards won by the Beware! Investment Scams campaign



Marketing Excellence Award
Excellence in Corporate Social Responsibility
Markies' Award
Best Idea - Government Sector Marketing

Educating and Empowering Consumers

MoneySENSE

FIND OUT MORE

MAS, through MoneySENSE, is partnering industry players and government agencies to raise financial literacy among consumers, and empower them to make sound financial and investment decisions.

31,300 Participants reached

My Money

Smart Investing For Everyone.



My Money Seminars

Helping investors understand which investment products are suitable for their needs and risk appetites, and empowering them to take greater responsibility for their investing decisions.

My Money @ Campus

Improving youth financial literacy and setting in place financial habits that will stand youths in good stead throughout their lifetime.

World Investor Week in Singapore (WIWS)

Creating platforms for investors to engage with industry experts and seek answers to the questions they have on investing.



WORLD INVESTOR WEEK 2017

PROMOTED BY IDSCO

INSTITUTE FOR FINANCIAL LITERACY
MONEYSENSE - SINGAPORE POLYTECHNIC

FIND OUT MORE

Bringing financial literacy programmes to workplaces and the public.

Shaping new financial education curriculum in Polytechnics and ITEs.

Providing financial education to HomeTeam NSF personnel.

Investment risks involving digital tokens



MAS advises consumers to act with extreme caution and understand the significant risks they take on if they choose to invest in ICOs and investment schemes involving digital tokens.

FIND OUT MORE
MAS' consumer advisory

ASK
CHECK
CONFIRM

Before making any investment decision, consumers should **ASK, CHECK and CONFIRM**.

FIND OUT MORE
Joint consumer advisory with CAD

"Less on credit means more peace of mind"

FIND OUT MORE

Public education campaign with Credit Counselling Singapore to raise awareness of the need to save and to use unsecured credit prudently.



5

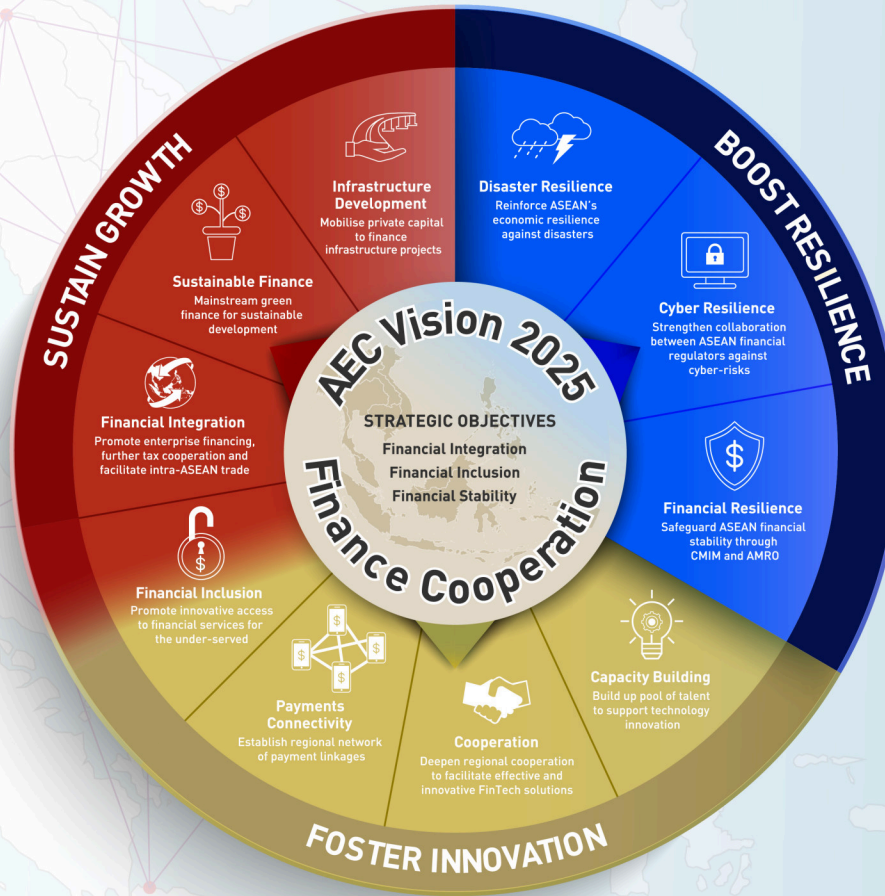
MAS AND THE WORLD

- > Chairing ASEAN Finance
- > Connecting to Asia
- > Celebrating 50 years of
Currency Interchangeability
- > One MAS



Chairing ASEAN Finance

MAS and MOF jointly chaired the ASEAN Financial Cooperation Process and ASEAN Finance Ministers' and Central Bank Governors' Meetings.



Connecting to Asia



- 🌐 **Collaboration with People's Bank of China**
 - › Project financing for Belt and Road (B&R) infrastructural projects
 - › Strengthening capital market linkages between Singapore and China
 - › Developing Renminbi financial instruments
 - › Joint training of officials from B&R countries



- 🌐 **Collaboration with China Securities Regulatory Commission (CSRC)**
 - › Explored mutual recognition arrangements for collective investment schemes
 - › Discussed listing of qualifying Chinese companies in Singapore
 - › Agreed to develop staff exchange programme between MAS and CSRC



JAPAN

- 🌐 **Renewed Bilateral Swap Arrangement**
 - › Enables Singapore and Japan to swap local currencies for US dollars in times of need
 - › Singapore can obtain Japanese yen to meet liquidity needs where required
- 🌐 **Cooperation with Bank of Japan**
 - › Exchanged views on activities of Japanese and Singapore banks
 - › Discussed recovery and resolution planning and cyber security developments



CHINA

INDIA



ASEAN

SINGAPORE

- 🌐 **Working towards ASEAN Economic Community 2025 Vision**
 - › To support ASEAN economic integration by strengthening financial integration, promoting financial inclusion and ensuring financial stability
- 🌐 **Chairing ASEAN Finance Cooperation in 2018**
 - › Sustain growth by supporting infrastructure financing, green financing and enterprise financing
 - › Boost resilience against natural catastrophes, enhance collaboration on cybersecurity, and safeguard financial stability
 - › Foster innovation through capacity building, and promoting financial inclusion through FinTech cooperation and regional payment linkages

Enhance cross-border payment linkages



- › Partnership between NETS and National Payments Corporation of India, with launch of RuPay card in Singapore
- › Extend Bharat Interface for Money app to recognise SGQR for payment in Singapore
- › Enable payment linkages between Unified Payment interface and FAST digital fund transfer platforms



Strengthen FinTech cooperation

- › MOU with Department of Economic Affairs in June 2018 to establish Joint Working Group in FinTech
- › FinTech Cooperation Agreement with Government of Maharashtra in February 2018

Celebrating 50 years of Currency Interchangeability

History


- › **Agreement signed in 1967** 
- › Monetary authorities in Brunei Darussalam and Singapore accept currency notes and coins issued by the other at par. 
- › Notes and coins of either country can be used by the public in both countries.



Launch of \$50 commemorative polymer notes at the Istana in Singapore


50th Anniversary

- › Both countries jointly launched a set of **two \$50 commemorative polymer notes on 5 July 2017**.
- › One million pieces of **Brunei Darussalam \$50** and two million pieces of **Singapore \$50 commemorative notes** were made available for public exchange at face value.

 **FIND OUT MORE**
[50th anniversary of the agreement](#)

Design of the commemorative notes

Front Design

- › The **50th Anniversary logo** features the Simpung, a prominent flower in Brunei Darussalam and Vanda Miss Joaquim, Singapore's national flower. It symbolises the flourishing friendship between the two countries. 
- › Portraits of Brunei Darussalam's Sultan and Yang Di-Pertuan, Sultan Haji Hassanal Bolkiah, and Singapore's first President, Mr Yusof bin Ishak, featured on both countries' respective notes.



Design of the commemorative notes

Back Design

- › Showcases strong bilateral cooperation in **defence, education and tourism**.


Innovative Security Feature

- › See-through security window that depicts Brunei Darussalam's Istana Nurul Iman and Singapore's Istana.
- › Use of nanoparticles to create special diffractive and colour-shifting optical effects to deter counterfeiting.

Won the Excellence in Holography Awards 2017 for:

- ✓ Best Applied Security Product 
- ✓ Innovation in Holographic Technology (Commendation Award)



 **FIND OUT MORE**
[Award-winning security feature](#)

One MAS

OneMAS Connect 2018

MAS staff coming together to share the vision of a **digital, agile, efficient MAS**



Annual Dinner 2017

Fun-filled night of food, games and performances by MAS staff



Aerial drone shot of the MAS family



Family Day 2018

A day of fun on Sentosa! MAS staff competing in beach volleyball, Frisbee, beach soccer and Petanque



Community Service

Spreading joy to the community by helping with spring cleaning during the festive period at Lion Befrienders' Cleaning for a Cause



**FINANCIAL
STATEMENTS**



FINANCIAL STATEMENTS

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3	Statement by Directors
4	Auditor's Report
7	Consolidated Statement of Comprehensive Income
8	Consolidated Balance Sheet
9	Consolidated Statement of Changes in Equity
10	Consolidated Cash Flow Statement
11	Notes to the Consolidated Financial Statements

MAS FY2017/18

Financial Statement Highlights

For the financial year ended 31 March 2018, the Authority recorded a net profit before contribution to the Consolidated Fund of \$6.4 billion. The net profit was mainly from interest income and realised capital gains from the investment of the Official Foreign Reserves, offset partially by negative currency translation effects from the strengthening of the Singapore Dollar against the US Dollar. Total expenditure rose to \$2.6 billion, largely due to higher interest and investment expenses.

Based on the framework for contributions to the Consolidated Fund, a contribution of \$1.1 billion, or 17% of the net profit is payable to the Consolidated Fund. In addition, the Board has approved a return of \$2.7 billion to the Singapore Government. After taking into account the return to the Government, total capital and reserves of the Authority increased to \$55.6 billion as at 31 March 2018.

In accordance with the amendments to the Monetary Authority of Singapore Act and the Currency Act that came into operation on 15 August 2017, all assets and liabilities of the Currency Fund were consolidated with the other assets and liabilities of the Authority, and the Currency Fund was dissolved on 30 September 2017¹.

¹The Currency Fund, established in 1967 by the Board of Commissioners of Currency, Singapore (BCCS) under the Currency Act, was used to hold foreign assets and gold to back currency in circulation. After the Authority took over the function of currency issuance from BCCS in 2002, currency in circulation has been effectively backed by the full value of the Authority's assets. As at 31 March 2018, gross assets of the Authority and the value of currency in circulation were \$414.3 billion and \$47.1 billion, respectively.

STATEMENT BY DIRECTORS

For The Financial Year Ended 31 March 2018

In the opinion of the directors,

- (a) the consolidated financial statements of the Authority and its wholly-owned subsidiary, Singapore Sukuk Pte Ltd, as set out on pages 7 to 28 are drawn up so as to present fairly the state of affairs of the Authority as at 31 March 2018, the results and changes in equity of the Authority for the financial year ended on that date, and of the cash flows of the Authority for the financial year then ended; and

- (b) at the date of this statement, there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

THARMAN SHANMUGARATNAM
Chairman

RAVI MENON
Managing Director

21 June 2018

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE MONETARY AUTHORITY OF SINGAPORE

For The Financial Year Ended 31 March 2018

OPINION

The financial statements of the Monetary Authority of Singapore (the Authority), its subsidiary and Currency Fund, set out on pages 7 to 28, have been audited under my direction. These financial statements comprise the consolidated balance sheet as at 31 March 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the financial year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies¹.

Section 34(3) of the Monetary Authority of Singapore Act (Cap. 186, 1999 Revised Edition)² and section 21(10) of the Currency Act (Cap. 69, 2002 Revised Edition) provide that the Authority, in preparing its consolidated financial statements, may comply with accounting standards to the extent that it is, in the opinion of the Authority, appropriate to do so, having regard to its objects and functions. As disclosed in Note 3.1(a) to the consolidated financial statements, the Authority has considered its responsibilities for managing the Singapore dollar exchange rate and the Official Foreign Reserves and is of the view that, for effective management of Singapore's monetary policy, it would be appropriate not to meet, in some respects, the Singapore Financial Reporting Standards. The financial statements accordingly disclose less information than would be required under those Standards.

Having regard to the power given to the Authority under section 34(3) of the Monetary Authority of Singapore Act and section 21(10) of the Currency Act, in my opinion, based on the framework of accounting standards adopted by the Authority, the accompanying consolidated financial statements present fairly the state of affairs of the Authority and its subsidiary as at 31 March 2018 and the financial transactions of the Authority and its subsidiary for the financial year ended on that date.

BASIS FOR OPINION

The audit was conducted in accordance with the provisions of the Monetary Authority of Singapore Act and the Currency Act and having regard to Singapore Standards on Auditing (SSAs). The responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. As the Auditor-General, I am independent of the Authority and I exercise my duties and powers in accordance with the Constitution of the Republic of Singapore (1999 Revised Edition) and the Audit Act (Cap. 17, 1999 Revised Edition). Ethical requirements that are relevant to the audit and in line with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) have been fulfilled. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

¹The financial results of the Currency Fund covered transactions for the period 1 April to 30 September 2017. Section 38 of the Monetary Authority of Singapore (Amendment) Act 2017, which came into operation on 15 August 2017, amended the Currency Act to provide for the dissolution of the Currency Fund and also repealed section 21(10) of the Currency Act on the preparation of financial statements relating to the Currency Fund. The Currency Fund was dissolved on 30 September 2017.

²Section 34 of the Monetary Authority of Singapore Act was renumbered to Section 168 when Section 9 of the Monetary Authority of Singapore (Amendment) Act 2017 came into operation on 4 June 2018.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE MONETARY AUTHORITY OF SINGAPORE

For The Financial Year Ended 31 March 2018

OTHER INFORMATION

The management is responsible for the other information. The other information comprises the information included in the Authority's Annual Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, the auditor's responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work performed, there is a material misstatement of this other information, that fact will be reported. I have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Monetary Authority of Singapore Act and the Currency Act and applicable Singapore Financial Reporting Standards as explained in Note 3.1(a) to the consolidated financial statements, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Authority is constituted based on the Monetary Authority of Singapore Act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is intention to wind up the Authority or for the Authority to cease operations.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the provisions of the Monetary Authority of Singapore Act and the Currency Act and having regard to SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the provisions of the Monetary Authority of Singapore Act and the Currency Act and having regard to SSAs, professional judgement is exercised and professional scepticism is maintained throughout the audit. An audit also includes:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE MONETARY AUTHORITY OF SINGAPORE

For The Financial Year Ended 31 March 2018

- Obtaining an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls.
- Evaluating, within the context of applicable laws, the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I will draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluating, within the context of applicable laws, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information or business activities of the Authority and its subsidiary to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for the audit opinion.

Among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls identified during the audit are communicated to those charged with governance.

TAN YOKE MENG WILLIE

Auditor-General
Singapore

22 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March in \$ millions	Note	2018	2017
Income/(Loss) from Foreign Operations [after transfers to/from provisions]	4	8,468	30,085
Income/(Loss) from Domestic and Other Operations	5	557	313
Non-operating Income	6	11	11
Total Income/(Loss) [after transfers to/from provisions]		9,036	30,409
Less:			
Investment, Interest and Other Expenses	7	2,298	1,363
Personnel Expenditure	8	239	232
General and Administrative Expenditure	9	72	63
Depreciation/Amortisation	16	29	27
Total Expenditure		2,638	1,685
Profit/(Loss) for the Year [after transfers to/from provisions]		6,398	28,724
Less:			
Contribution to Consolidated Fund	19.2	1,088	4,457
Net Profit/(Loss) and Total Comprehensive Income/(Loss) for the Year [after transfers to/from provisions]		5,310	24,267

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March in \$ millions	Note	2018	2017
CAPITAL AND RESERVES			
Issued and Paid-up Capital	10	25,000	25,000
General Reserve Fund	11	30,603	19,908
Currency Fund Reserves	12	–	8,040
		55,603	52,948
Represented by:			
ASSETS			
Cash and Bank Balances		31	853
Singapore Dollar Securities	13	10,003	9,518
Foreign Financial Assets	14	389,106	373,936
Gold		278	296
Other Assets	15	14,709	10,003
Property and Other Fixed Assets	16	185	189
		414,312	394,795
Less:			
LIABILITIES			
Currency in Circulation		47,124	44,019
Deposits of Financial Institutions	17	27,384	25,027
MAS Bills	18	115,315	87,870
Foreign Financial Liabilities	14	12,805	11,613
Provisions and Other Liabilities	18	86,658	76,238
Amounts Due to Singapore Government	19	69,423	97,080
		358,709	341,847
NET ASSETS OF THE AUTHORITY		55,603	52,948

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in \$ millions	Note	Issued and Paid-up Capital	General Reserve Fund	Currency Fund Reserves	Total
Balance as at 1 April 2016		25,000	6,396	9,418	40,814
Total Comprehensive Income/ (Loss) for the Year [after transfers to/from provisions]		–	21,250	3,017	24,267
Transfer of Reserves from Currency Fund		–	4,395	(4,395)	–
Return of Profit to Singapore Government	19.1	–	(12,133)	–	(12,133)
Balance as at 31 March 2017		25,000	19,908	8,040	52,948
Total Comprehensive Income/ (Loss) for the Year [after transfers to/from provisions]		–	5,406	(96)	5,310
Transfer of Reserves from Currency Fund	12.1	–	7,944	(7,944)	–
Return of Profit to Singapore Government	19.1	–	(2,655)	–	(2,655)
Balance as at 31 March 2018		25,000	30,603	–	55,603

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March in \$ millions	2018	2017
Cash Flows from Operating Activities		
Profit for the Year (after transfers to/from provisions)	6,398	28,724
Adjustments for:		
Depreciation/Amortisation of Fixed Assets and Other Assets	29	27
<hr/>		
Profit before Working Capital Changes	6,427	28,751
(Increase)/Decrease in		
Singapore Dollar Securities	(485)	(857)
Foreign Financial Assets	(15,170)	(12,786)
Gold	18	(11)
Other Assets	(4,706)	3,971
Increase/(Decrease) in		
Currency in Circulation ¹	3,105	4,680
Deposits of Financial Institutions	2,357	(1,796)
MAS Bills	27,445	9,888
Foreign Financial Liabilities	1,192	(8,359)
Provisions and Other Liabilities	10,417	21,346
Amounts due to Singapore Government (excluding Contribution to Consolidated Fund and Return of Profit to Singapore Government)	(14,810)	(44,809)
Contribution to Consolidated Fund paid	(4,457)	-
<hr/>		
Net Cash from Operating Activities	11,333	18
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(22)	(26)
<hr/>		
Net Cash used in Investing Activities	(22)	(26)
Cash Flows from Financing Activities		
Return of Profit to Singapore Government ² paid	(12,133)	-
<hr/>		
Net Cash used in Financing Activities	(12,133)	-
<hr/>		
Net Decrease in Cash and Bank Balances	(822)	(8)
Cash and Bank Balances as at beginning of the year	853	861
<hr/>		
Cash and Bank Balances as at end of the year	31	853

¹The change in "Currency in Circulation" has been reclassified from "Cash Flows from Financing Activities" to "Cash Flows from Operating Activities" in the Consolidated Cash Flow Statement, to more appropriately reflect the nature of the cash flows relating to currency issuance activities. The comparative for the preceding financial year has also been reclassified to be consistent with the presentation in the current financial year.

²Changes in the Authority's liabilities arising from financing activities (i.e. Return of Profit to Singapore Government) are solely from financing cash flows.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1 GENERAL

- 1.1** The Monetary Authority of Singapore (the "Authority") is a statutory board established in Singapore under the Monetary Authority of Singapore Act (Cap. 186, 1999 Revised Edition) on 1 January 1971 and is located at 10 Shenton Way, MAS Building, Singapore 079117.
- 1.2** The consolidated financial statements presented relate to those of the Authority and its wholly-owned subsidiary, Singapore Sukuk Pte Ltd ("SSPL"). The financial statements of the Authority are not materially different from the consolidated financial statements and have not been presented separately.
- 1.3** The Authority, subject to the directions of the Minister, controls and administers the Financial Sector Development Fund (the "Fund"), a fund established under Section 30A of the Monetary Authority of Singapore Act for the objects and purposes set out in Section 30B of the Monetary Authority of Singapore Act. The audited financial statements of the Fund, prepared in accordance with the provisions of the Monetary Authority of Singapore Act and the Singapore Financial Reporting Standards ("FRS"), are available on the Authority's website at <http://www.mas.gov.sg>.
- 1.4** Section 30A, Section 30B and Section 34 of the Monetary Authority of Singapore Act were renumbered to Section 127, Section 128 and Section 168 respectively when Section 9 of the Monetary Authority of Singapore (Amendment) Act 2017 came into operation on 4 June 2018.

2 PRINCIPAL ACTIVITIES

- 2.1** The principal activities of the Authority are:
- a) the conduct of monetary policy, issuance of currency, management of the official foreign reserves and acting as the banker to and financial agent of the Government; and
 - b) the supervision of the banking, insurance, securities and futures industries, and development of strategies in partnership with the private sector to promote Singapore as an international financial centre.
- 2.2** The Authority's subsidiary, SSPL, is a special purpose entity incorporated in Singapore, to issue Sukuk certificates as Shariah-compliant assets to Islamic financial institutions to meet regulatory requirements.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Compliance with the Monetary Authority of Singapore Act, Currency Act and Singapore Financial Reporting Standards

- a) The consolidated financial statements of the Authority, are prepared in accordance with the Monetary Authority of Singapore Act, Currency Act (Cap. 69, 2002 Revised Edition)¹ and applicable Singapore Financial Reporting Standards ("FRS"). Section 34(3) of the Monetary Authority of Singapore Act and Section 21(10) of the Currency Act provide that the Authority, in preparing its consolidated financial statements, may comply with accounting standards to the extent that it is, in the opinion of the Authority, appropriate to do so, having regard to the objects and functions of the Authority. The Authority, having considered its responsibilities for managing the Singapore dollar exchange rate and the official foreign reserves, is of the opinion that, for effective management of Singapore's monetary policy, it is appropriate not to meet, in some respects, the FRS. The consolidated financial statements accordingly disclose less information than would be required under those standards.

¹Please refer to Note 12 for information on relevant amendments made to the Currency Act during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

- b) The following amendments to FRS relevant to the Authority are applicable in the current financial year.

Effective for the Authority's accounting periods beginning on or after 1 April 2017

Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The amendments to FRS 7 require additional disclosures to enable the user of financial statements to evaluate changes in liabilities arising from financing activities, such as providing a reconciliation between opening and closing balances in the balance sheet for liabilities arising from financing activities, and its link to the statement of cash flows.

The amendments to FRS 7 do not have a significant impact on the Authority's consolidated financial statements.

- c) The preparation of consolidated financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Authority's accounting policies, having regard to the objects and functions of the Authority. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenditure during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

3.2 Basis of Accounting

The consolidated financial statements have been prepared under the historical cost convention and on an accrual basis, except as otherwise disclosed.

3.3 Basis of Consolidation

- a) Subsidiaries are entities (including structured entities) over which the Authority has control. The Authority controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- b) A subsidiary is consolidated from the date control is established, acquired or transferred to the Authority to the date control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange.
- c) Balances and transactions between the Authority and its subsidiary, together with any unrealised profits and losses arising from these transactions are eliminated, in preparing the consolidated financial statements.

3.4 Foreign Currency Translation

- a) The consolidated financial statements are presented in Singapore dollars, the Authority's functional currency, and rounded to the nearest million, unless otherwise stated.
- b) Transactions in foreign currency are measured at the exchange rate prevailing at the date of transaction. Foreign currency gains or losses resulting from the settlement of such transactions are recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

- c) Assets and liabilities denominated in foreign currencies are translated into Singapore dollars, at the exchange rate prevailing on the balance sheet date, except for shareholdings in Bank for International Settlements ("BIS") and Society for Worldwide Interbank Financial Telecommunication ("SWIFT") which are converted at the rates of exchange prevailing on the acquisition dates. Exchange differences arising from the translation are recognised in the consolidated statement of comprehensive income.

3.5 Recognition and Derecognition

Purchases and sales of investments are recognised on the trade date when the Authority commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.

3.6 Income Recognition

- a) Dividend income is recognised when the right to receive payment is established.
- b) Interest income is recognised on a time-proportionate basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount.
- c) Profits/losses on disposal of investments are taken to the consolidated statement of comprehensive income.
- d) Licence fee income is recognised on a straight-line basis over the period of the licence.

3.7 Singapore Dollar Securities

Singapore Government Treasury bills and bonds, and corporate bonds held are stated at cost. Provision has been made for diminution in value, if any, based on the lower of cost and market value on an individual investment basis.

3.8 Gold

Gold is a long-term investment stated at cost. Provision for diminution in value would be made in the event of a decline other than temporary in its value.

3.9 Foreign Financial Assets and Liabilities

Foreign financial assets and liabilities represent the Authority's investments in a global diversified portfolio and are stated at cost. Provision has been made for diminution in value, if any, based on the lower of cost and market value on an individual investment basis.

3.10 Financial Derivatives

Financial derivatives include forwards, swaps, futures and options and are included in foreign financial assets and foreign financial liabilities. Other than financial instruments that are subject to margin requirements or central clearing which are fair valued, provision has been made for diminution in value, if any, of other financial derivatives based on the lower of cost and market value on an individual investment basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

3.11 Repurchase and Reverse Repurchase Agreements (“Repos” and “Reverse Repos”)

Repos are treated as collateralised lending and the amounts lent are included in “Other Assets”. Reverse repos are treated as collateralised borrowings and the amounts borrowed are included in “Provisions and Other Liabilities”. The securities sold under reverse repos are treated as pledged assets and remain on the consolidated balance sheet. The difference between the amount received and the amount paid under repos and reverse repos is recognised as interest income and interest expense respectively.

3.12 Property, Other Fixed Assets and Depreciation

- a) Property and other fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the cost less residual value of the fixed assets over their estimated useful lives as follows:

	Useful lives
Leasehold Land	Period of lease
Buildings	50 years or period of lease whichever is lower
Building Improvements	10 years
Computer Hardware and Software	3 to 5 years
Furniture, Fixtures, Motor Vehicles and Other Equipment	3 to 5 years

The residual values and useful lives are reviewed and adjusted as appropriate, at each balance sheet date.

- b) Computer software costing more than \$100,000 and other fixed assets costing more than \$1,000 are capitalised in the year of purchase.
- c) Property and other fixed assets are reviewed for impairment whenever there is any indication that these assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated to determine the amount of impairment loss. The impairment loss is recognised in the consolidated statement of comprehensive income for the period.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal, if any, is recognised in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to a reversal of an impairment is recognised to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment losses been recognised for the asset in prior years.

- d) On disposal of fixed assets, the difference between the net disposal proceeds and its carrying amount is taken to the consolidated statement of comprehensive income.

3.13 Operating Leases

- a) Leases where substantially all the rewards and risks of ownership remain with the lessors are accounted for as operating leases. Rental receipts or payments under operating leases are accounted for in the consolidated statement of comprehensive income on an accrual basis according to the terms of the agreements.
- b) When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an income or expense in the period in which termination takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

3.14 Employee Benefits

a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions. The Authority's contributions to defined contribution plans are recognised in the financial year to which they relate.

b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for annual leave as a result of services rendered by employees up to the balance sheet date.

4 INCOME/(LOSS) FROM FOREIGN OPERATIONS

Income/(loss) from foreign operations includes interest, dividends, profit/loss on disposal of investments, foreign exchange gain/loss and write-back of/additional provision for diminution in value of investments.

5 INCOME/(LOSS) FROM DOMESTIC AND OTHER OPERATIONS

Income/(loss) from domestic and other operations includes mainly interest, write-back of/additional provision for diminution in value of Singapore Dollar Securities and other income/(loss) from Singapore dollar money market transactions, licence and inspection fees, revenue from currency-related operations, custody fee and revenue from services rendered to banks and financial institutions on MAS Network and MAS Electronic Payment System which provides real-time gross settlement of payments.

6 NON-OPERATING INCOME

Non-operating income includes rental and carpark income, liquidated damages and management service fees.

7 INVESTMENT, INTEREST AND OTHER EXPENSES

Investment and interest expenses include management fees, futures/options commissions, bank, custody and other charges arising from foreign operations, and interest paid on borrowings and reverse repurchase agreements arising from domestic and other operations. Other expenses include costs of printing of currency notes and coin operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

8 PERSONNEL EXPENDITURE

8.1 This includes the following:

in \$ millions	2018	2017
Salaries	203	195
Employer's Contribution to the Central Provident Fund	23	22
Staff Benefits and Training	11	11

The Minister-in-charge of the Authority is not paid a salary by the Authority. Directors' fees for the year totalled \$0.14 million (2017: \$0.13 million). All Ministers serving on the Authority's Board of Directors do not receive directors' fees.

8.2 The key management personnel compensation is as follows:

in \$ millions	2018	2017
Salaries and Other Short-term Employee Benefits	24	23
Other Long-term Employee Benefits	4	4

Post-employment benefits of \$0.9 million (2017: \$0.8 million) were also provided to key management personnel.

Executive Directors, Department Heads and above, are considered as key management personnel for this purpose.

9 GENERAL AND ADMINISTRATIVE EXPENDITURE

This includes the following:

in \$ millions	2018	2017
Information Technology	21	16
Information Resources	7	7
Subscription to Organisations	7	7
Rental and Maintenance	6	6
Consultancy, Legal and Other Fees	6	3
Travel and Accommodation	5	4
IT Operating Lease	2	2
Audit Fee	1	1

10 CAPITAL AND RESERVES

10.1 The issued and paid-up capital is wholly-owned by the Government of the Republic of Singapore.

10.2 The Authority manages its capital and reserves at an appropriate and adequate level, in pursuit of the Authority's principal objects, as set out in Section 4 of the Monetary Authority of Singapore Act that is, to maintain price stability conducive to sustainable economic growth, foster a sound and reputable financial centre, grow Singapore as an internationally competitive financial centre and ensure prudent and effective management of the official foreign reserves of Singapore. As required by the Constitution of the Republic of Singapore, the Authority has to determine and safeguard the past reserves of the Authority which were not accumulated during the current term of office of the Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

- 10.3** Taking into consideration the Authority's capital and reserves needs for its principal objects, the Authority conducts capital and reserves adequacy assessment regularly. It includes a comprehensive assessment of risks that the Authority is exposed to, the measurement, monitoring and stress testing of these risks and an evaluation of the adequacy of the Authority's capital and reserves in relation to these risks.
- 10.4** The return of profit to the Singapore Government, from the General Reserve Fund and/or from the net profit for each financial year, is determined by the Authority and the remainder of the net profit, if any, is credited to the General Reserve Fund, in accordance with Section 6 of the Monetary Authority of Singapore Act.

11 GENERAL RESERVE FUND

The General Reserve Fund is established under Section 6(1) of the Monetary Authority of Singapore Act.

12 CURRENCY FUND RESERVES

- 12.1** The Currency Fund, established under Section 21 of the Currency Act, was maintained and managed by the Authority in the manner prescribed by the Act. Section 22 of the Currency Act stated that the external assets of the Currency Fund shall not be less than 100% of the face value of the Currency in Circulation. The value of the external assets of the Currency Fund and the Currency in Circulation were \$55,105 million and \$44,019 million respectively as at 31 March 2017.

Section 6 and Section 38 of the Monetary Authority of Singapore (Amendment) Act 2017, which came into operation on 15 August 2017, amended the Monetary Authority of Singapore Act and the Currency Act to provide for the commencement of the transfer of all assets and liabilities of the Currency Fund to other accounts holding the Authority's assets and liabilities, as well as the dissolution of the Currency Fund on the date of completion of the transfer. The transfer was completed on 30 September 2017 and the Currency Fund was dissolved on that day. The amount of Currency Fund Reserves transferred to the General Reserve Fund was \$7,944 million.

The Monetary Authority of Singapore (Amendment) Act 2017 also repealed Section 21(10) of the Currency Act on the preparation of the financial statements relating to the Currency Fund and amended Section 22 of the Currency Act to require that the gross assets of the Authority must at all times be not less than 100% of the face value of the Authority's Currency in Circulation.

As at 31 March 2018, the gross assets of the Authority and the value of the Currency in Circulation were \$414,312 million and \$47,124 million respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

- 12.2** The financial results of the Currency Fund for the period from 1 April 2017 to 30 September 2017 (date of dissolution) and 1 April 2016 to 31 March 2017 were as follows:

in \$ millions	For 6 months ended 30 Sep 2017	For 12 months ended 31 Mar 2017
Income/(Loss) from Foreign Operations [after transfers to/from provisions]	(60)	3,153
Income/(Loss) from Domestic and Other Operations	–	2
Total Income/(Loss) [after transfers to/ from provisions]	(60)	3,155
Less:		
Investment, Interest and Other Expenses	36	138
Total Expenditure	36	138
Net Profit/(Loss) and Total Comprehensive Income/(Loss)[after transfers to/from provisions]	(96)	3,017

- 12.3** The assets and liabilities of the Currency Fund as at 30 September 2017 (date of dissolution) and 31 March 2017 were as follows:

in \$ millions	30 Sep 2017	31 Mar 2017
External Assets		
Gold	–	231
Foreign Financial Assets	–	54,874
	–	55,105
Less:		
Liabilities		
Currency in Circulation	–	44,019
Foreign Financial Liabilities	–	2,818
Provisions and Other Liabilities	–	228
	–	47,065
Currency Fund Reserves	–	8,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

13 SINGAPORE DOLLAR SECURITIES

Singapore Dollar Securities comprise:

in \$ millions	2018	2017
Singapore Government Bonds	9,776	9,391
Singapore Dollar Corporate Bonds	227	127
	10,003	9,518

14 FOREIGN FINANCIAL ASSETS AND LIABILITIES

14.1 These comprise the following:

in \$ millions	Note	2018	2017
Foreign Investments			
Bank Balances and Deposits		62,926	61,586
Securities (including Treasury Bills, Bonds and Equities)		316,395	302,912
Other Foreign Investments		6,010	5,631
International Monetary Fund (“IMF”) Assets			
	14.2		
Reserve Tranche		2,113	2,079
Special Drawing Rights (“SDRs”)		1,426	1,414
Loans under New Arrangements to Borrow	21.1(c)	132	210
Poverty Reduction and Growth Facility — Heavily Indebted Poor Countries		8	8
Shareholding in Bank for International Settlements (“BIS”)	14.3	96	96
Foreign Financial Assets		389,106	373,936
Foreign Borrowings and Other Liabilities		11,388	10,200
IMF SDR Allocations		1,417	1,413
Foreign Financial Liabilities		12,805	11,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

14.2 International Monetary Fund ("IMF") Assets

The Reserve Tranche represents the amount of the paid-up portion of the Singapore quota. Special Drawing Rights ("SDRs") are interest-yielding balances with IMF that can be exchanged for convertible currencies. Singapore participates in the Poverty Reduction and Growth Facility-Heavily Indebted Poor Countries ("PRGF-HIPC"). The PRGF-HIPC outstanding balance as at 31 March 2018 is SDR4.0 million [\$7.7 million] (31 March 2017: SDR4.0 million [\$7.7 million]), being the balance in Post-Special Contingent Account-2 with IMF which was transferred to the PRGF-HIPC on 24 April 2001 as an interest-free deposit maturing at the end of 2018.

14.3 Bank for International Settlements ("BIS")

The Authority's shareholding in the BIS comprises the 25% paid-up value of 4,285 (31 March 2017: 4,285) shares with a nominal value of SDR5,000 [\$9,524] (31 March 2017: SDR5,000 [\$9,491]) each.

15 OTHER ASSETS

These comprise the following:

in \$ millions	2018	2017
Loans, Deposits and Other Receivables	5,650	6,839
Receivable from MAS Bills Issued	6,680	-
Repurchase Agreements with Singapore Government	2,379	3,164
	14,709	10,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

16 PROPERTY AND OTHER FIXED ASSETS

in \$ millions	Leasehold Land	Buildings	Building Improve- ments	Computer Hardware and Software	Furniture, Fixtures, Motor Vehicles and Other Equipment	Work-in- Progress	Total
COST							
As at 1.4.2016	48	171	120	138	28	23	528
Additions	-	-	-	1	-	26	27
Disposals	-	(1)	(1)	(1)	(8)	-	(11)
Transfers	-	-	16	16	3	(35)	-
As at 31.3.2017	48	170	135	154	23	14	544
ACCUMULATED DEPRECIATION							
As at 1.4.2016	19	96	95	103	25	-	338
Disposals	-	-	(1)	(1)	(8)	-	(10)
Depreciation Charge	1	4	4	16	2	-	27
As at 31.3.2017	20	100	98	118	19	-	355
NET BOOK VALUE AS AT 31.3.2017							
	28	70	37	36	4	14	189
COST							
As at 1.4.2017	48	170	135	154	23	14	544
Additions	-	-	-	5	1	19	25
Disposals	-	-	(53)	(4)	(2)	-	(59)
Transfers	-	-	6	11	-	(17)	-
As at 31.3.2018	48	170	88	166	22	16	510
ACCUMULATED DEPRECIATION							
As at 1.4.2017	20	100	98	118	19	-	355
Disposals	-	-	(53)	(4)	(2)	-	(59)
Depreciation Charge	1	4	5	17	2	-	29
As at 31.3.2018	21	104	50	131	19	-	325
NET BOOK VALUE AS AT 31.3.2018							
	27	66	38	35	3	16	185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

17 DEPOSITS OF FINANCIAL INSTITUTIONS

in \$ millions	2018	2017
Banks	23,728	21,632
Finance Companies	375	352
Securities Companies	12	11
	24,115	21,995
International Financial Institutions	1,170	988
Foreign Central Banks and Others	2,099	2,044
	27,384	25,027

Deposits from banks and finance companies in Singapore include the minimum cash balances maintained by banks and finance companies with the Authority as required under the Banking Act (Cap. 19, 2008 Revised Edition) and the Finance Companies Act (Cap. 108, 2011 Revised Edition) respectively. Deposits from securities companies represent statutory deposits from holders of capital markets services licences required under the Securities and Futures (Licensing and Conduct of Business) Regulations.

18 MAS BILLS, PROVISIONS AND OTHER LIABILITIES

- 18.1** As part of the Authority's money market operations to manage the liquidity in the banking system, the Authority issues its own short-term bills.
- 18.2** Provisions have been made for contingencies under Section 6(2) of the Monetary Authority of Singapore Act. Other liabilities include borrowings from banks, borrowings under reverse repurchase agreements, creditors, Sukuk payable, accounts payable and accruals.
- 18.3** During the financial year ended 31 March 2018, SSPL, a wholly-owned subsidiary of the Authority, issued \$140 million (2017: \$140 million) Sukuk trust certificates with one year maturity and an income distribution rate of 1.37% (2017: 0.94%) per annum. The Sukuk issuance by SSPL is structured on the sale-and-leaseback or Al Ijarah of property assets of the Authority. Under agreements with SSPL, the Authority will sell, leaseback and provide a purchase undertaking of the property assets. The Authority will receive the consideration for the sale of the property assets from SSPL and make periodic payments to SSPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

19 AMOUNTS DUE TO SINGAPORE GOVERNMENT

19.1 The amounts due to the Singapore Government comprise the following:

in \$ millions	2018	2017
Amounts due to Singapore Government, arising from Repurchase Agreements	2,379	3,164
Balances and Deposits of Singapore Government	63,301	77,326
Contribution to Consolidated Fund	1,088	4,457
Return of Profit to Singapore Government	2,655	12,133
	69,423	97,080

19.2 Contribution to the Consolidated Fund is in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act (Cap. 319A, 2004 Revised Edition). The contribution is based on 17% (2017: 17%) of the net profit for the year, after offsetting the cumulative loss from previous financial years.

20 STATUTORY DEPOSITS OF INSURANCE COMPANIES, REMITTANCE LICENSEES AND CAPITAL MARKETS SERVICES LICENSEES

Statutory bank deposits, guarantees and Singapore Government bonds of insurance companies, remittance licensees and capital markets services licensees, are retained by the Authority under the Insurance Act (Cap. 142, 2002 Revised Edition), the Money-changing and Remittance Businesses Act (Cap. 187, 2008 Revised Edition) and the Securities and Futures Act (Cap. 289, 2006 Revised Edition) respectively, and in the events specified, dealt with accordingly under the respective Acts.

21 COMMITMENTS

21.1 International Monetary Fund ("IMF")

- a) On 15 December 2010, the IMF's Board of Governors passed a resolution that would double the Fund's total quotas and result in a major realignment of quota shares among members. In February 2016, Singapore paid up 25% of its full quota increase. As at 31 March 2018, the unpaid portion of the Singapore quota due to IMF under Section 4 of Article III of the Articles of Agreement is \$5,328 million (31 March 2017: \$5,328 million).
- b) On 20 April 2012, the Authority announced that Singapore would make a bilateral contingent loan of US\$4.0 billion [\$5.2 billion] (31 March 2017: US\$4.0 billion [\$5.6 billion]) to the IMF as part of the broader international effort to boost IMF's resources and strengthen global economic and financial stability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

- c) As a participant in the IMF's New Arrangements to Borrow ("NAB"), the Authority undertakes to provide a credit line in the event of a financial emergency as specified by the NAB. As at 31 March 2018, the loans granted by the Authority under the NAB totalled SDR69 million [\$132 million] (31 March 2017: SDR111 million [\$210 million]). The remaining undrawn credit is SDR580 million [\$1,105 million] as at 31 March 2018 (31 March 2017: SDR538 million [\$1,021 million]).

21.2 Bank for International Settlements ("BIS")

The Authority has a commitment, amounting to SDR16.1 million [\$30.7 million] as at 31 March 2018 (31 March 2017: SDR16.1 million [\$30.6 million]), in respect of the uncalled portion of its shareholding in the BIS.

21.3 Repurchase Agreements with Central Banks and Monetary Authorities

The Authority entered into bilateral repurchase agreements totalling US\$5,500 million [\$7,212 million] (31 March 2017: US\$5,500 million [\$7,685 million]) with various Asian central banks and a monetary authority to provide liquidity assistance in times of emergency. As at 31 March 2018, there was no outstanding transaction with any central bank or monetary authority under these bilateral repurchase agreements (31 March 2017: \$nil million).

21.4 Currency Swap Arrangements with Central Banks and Monetary Authorities

- a) The Authority renewed the bilateral currency swap arrangement of CNY300 billion [\$64 billion] with the People's Bank of China for a further term of three years with effect from 7 March 2016. The arrangement allows the Authority to provide Chinese Yuan liquidity to financial institutions in Singapore for trade and financial stability purposes. As at 31 March 2018, the Authority has a currency swap of CNY10 billion [\$2.1 billion] (31 March 2017: CNY10 billion [\$2.0 billion]) with the People's Bank of China.
- b) The Authority signed a bilateral currency swap agreement of JPY1.1 trillion [\$15 billion] with the Bank of Japan for a term of three years with effect from 30 November 2016. The arrangement allows the Authority to provide Japanese Yen liquidity to eligible Singapore financial institutions in support of their cross-border operations.
- c) The Authority and the Bank of Japan, acting as the agent for the Minister of Finance of Japan, signed the third Bilateral Swap Arrangement for a term of three years with effect from 21 May 2015. Under the agreement, the Authority can swap Singapore dollars for US dollars up to US\$3,000 million [\$3,934 million], while the Bank of Japan can swap Japanese Yen for US dollars up to US\$1,000 million [\$1,311 million]. The Bilateral Swap Arrangement was renewed for another term of three years on 21 May 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

- d) The Authority is Singapore's Swap Providing / Requesting Party in the Chiang Mai Initiative Multilateralisation ("CMIM") Agreement involving the ASEAN member states, China (including the Hong Kong Monetary Authority, China), Japan and Korea. The CMIM Agreement, effective from 24 March 2010, provides financial support through currency swap transactions, to address balance of payments and short-term liquidity difficulties in the region, and supplements existing international financial arrangements. In May 2012, the CMIM members agreed to strengthen the regional financial safety net and double the total size of the currency swap transactions with members to US\$240 billion. The Authority's commitment is US\$9,104 million [\$11,938 million] (31 March 2017: US\$9,104 million [\$12,721 million]) and the Authority can swap Singapore dollars for US dollars up to 2.5 times Singapore's commitment.
- e) The Authority is a participant in the multilateral ASEAN Swap Arrangement ("ASA") together with other ASEAN central banks and a monetary authority to provide short-term foreign exchange liquidity support for member countries that may experience balance of payments difficulties. In November 2017, the ASA was renewed for an additional two years up to 16 November 2019. Under this agreement, the Authority's commitment is US\$300 million [\$393 million] (31 March 2017: US\$300 million [\$419 million]).
- f) As at 31 March 2018, aside from the CNY swap with the People's Bank of China, there was no outstanding transaction with any central bank or monetary authority under any of the currency swap arrangements in note 21.4 (31 March 2017: \$nil million).

21.5 Liquidity Loan Facility

The Authority entered into an agreement with the Singapore Deposit Insurance Corporation Limited ("SDIC") on 9 February 2012 where the Authority may provide the SDIC a contingent liquidity facility of up to \$20 billion (31 March 2017: \$20 billion), in the event a Deposit Insurance Scheme member fails and liquidity is needed for compensation payments to insured depositors. As at 31 March 2018, there was no outstanding balance due from SDIC under this facility (31 March 2017: \$nil million).

21.6 Capital Expenditure Commitments

Capital expenditure relating to fixed assets not provided for in the consolidated financial statements is as follows:

in \$ millions	2018	2017
Amount contracted for	13	12

21.7 Leases

- a) Future minimum lease payments under non-cancellable operating leases are as follows:

in \$ millions	2018	2017
Less than 1 year	1	1
1 to 5 years	1	1
	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

- b) Future minimum lease rental receipts under non-cancellable operating leases are as follows:

in \$ millions	2018	2017
Less than 1 year	8	7
1 to 5 years	9	8
	17	15

22 FINANCIAL RISK MANAGEMENT

22.1 The Risk Committee, chaired by an independent Board Director, assists the Board of Directors in providing oversight and guidance over the management of risks assumed by the Authority. This encompasses the management of financial risks inherent in the Authority's investment portfolios, amongst other organisational risks faced by the Authority.

22.2 The Risk Management Department provides senior management and the Risk Committee with regular reports of the risk profiles of the Authority's investments. These reports cover risk measurement and analysis of the Authority's investment portfolios. The department also formulates risk policies and controls, and performs independent risk monitoring of the portfolios in accordance with the stipulated investment guidelines.

22.3 Market Risk

- a) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes currency, interest rate and other price risks.
- i) Currency risk is the risk of loss on foreign assets and liabilities arising from changes in foreign exchange rates.
 - ii) Interest rate risk is the risk of loss arising from changes in market interest rates.
 - iii) Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- b) Market risk is managed through regular monitoring of the market risk exposure of the Authority's investments, the diversification of the Authority's investments across different markets, and the establishment of investment risk tolerance and controls at both the aggregate and individual portfolio levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

22.4 Credit Risk

- a) Credit risk is the risk of loss arising from a party's failure to discharge an obligation under a financial contract and includes counterparty and issuer credit risk.
- b) The Authority's credit risks are managed by transacting with entities of acceptable creditworthiness within assigned limits. Credit risks are also mitigated by diversifying credit exposures across counterparties and issuers and through collateral arrangements with counterparties whom the Authority has signed the International Swaps and Derivatives Association ("ISDA") Credit Support Annex.
- c) The Authority manages issuer credit risk by imposing minimum credit rating requirements on the investment of fixed income securities. Single issuer limits are placed to control the credit exposure to any one issuer and to mitigate the extent of loss resulting from a default.

22.5 Country Risk

The Authority's foreign assets are exposed to country credit risk arising from political, economic and financial events in the country of investment. Country limits are established to control the Authority's credit risk exposure to individual countries.

22.6 Liquidity Risk

Liquidity risk is the risk arising from the inability to sell a financial asset at close to its fair value at short notice due to inadequate market depth or market disruptions. The Authority manages liquidity risk by investing mostly in liquid financial instruments and markets, and imposing limits on investments to ensure sufficient diversification and through regular monitoring of the liquidity profile of the Authority's investments.

23 RELATED PARTY TRANSACTIONS

23.1 The Financial Sector Development Fund (the "Fund") maintains a non-interest bearing current account with the Authority to facilitate grant disbursements. The Fund's current account balance with the Authority as at 31 March 2018 was \$0.6 million (31 March 2017: \$0.1 million).

23.2 The Authority also accepted deposits from the Fund, in the ordinary course of business and at arm's length, incurring interest expense disclosed below:

in \$ thousands	2018	2017
Interest Expense	323	289

The Fund's deposit balance with the Authority as at 31 March 2018 was \$49 million (31 March 2017: \$36 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2018

24 SEGMENT REPORTING

Owing to their integrated nature, the Authority's operations, including those of its subsidiary, SSPL, comprise one main operating segment only, i.e. the conduct of monetary policy, issuance of currency, management of the official foreign reserves and acting as the banker to and financial agent of the Government, for segment reporting purposes. In addition, the Authority's operations are mainly in one geographical area, Singapore. All other segment information are below the quantitative thresholds for separate disclosure.

25 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

New or revised accounting standards and interpretations to existing standards have been issued that are relevant for the Authority's accounting periods beginning after 1 April 2017 or later periods and which the Authority has not early adopted. The Authority does not expect the following revised accounting standards that are applicable, to have a significant impact on the Authority's consolidated financial statements.

Effective for the Authority's accounting periods beginning on or after 1 April 2019

FRS 116 Leases

FRS 116 introduces a single lessee accounting model. A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessor accounting remains substantially unchanged and a lessor continues to account for its leases as operating leases or financial leases accordingly.

26 AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2018 were authorised by the Board of Directors for issuance and signed by Chairman and Managing Director on 21 June 2018.